



Business Community Survey 2012 Findings Report

Executive Summary

One of the first actions of the City's newly formed Economic Development Department was to perform a strengths, opportunities, weaknesses, and threats (SWOT) analysis of Issaquah's economy. Soon after these efforts began, the need for a better understanding of Issaquah's business climate became clear. The City surveyed 2,300 businesses this fall. In addition to assisting with the SWOT analysis, the findings of this survey will guide the Economic Development Department's business retention and expansion efforts.

Key Findings

As the process unfolded, certain themes emerged, which will be discussed in more depth throughout this report.

Overall 73 percent of businesses surveyed said that Issaquah was a "Good" or "Excellent" place to do business. Most (83 percent) firms interviewed said that they were satisfied or completely satisfied with the city staff responsiveness, while 6 percent stated they were dissatisfied. The major themes of the study are as follows:

Transportation is a big challenge for businesses. Of those dissatisfied with their location, 42 percent said that some element of transportation (mostly traffic) is to blame. Twenty-six percent of all respondents said transportation is a significant challenge to their everyday operations. Of those planning to expand in Issaquah, 23 percent said that traffic was a barrier to their growth. Finally, of those businesses planning to close their doors or relocate outside of Issaquah, 15 percent said the City would need to fix its infrastructure to retain their business. Some firms linked employee attrition and recruitment difficulties to employees having long commutes. Forty-three percent of employers said they would like to see improvements to transportation infrastructure, some including transit. Large, growing employers such as Swedish Hospital and Timber Ridge at Talus state that lack of transit remains a significant challenge to their daily operations and growth. Parking was the only amenity in Issaquah to be ranked below average, in reference to parking downtown.

Businesses want more visibility. Nineteen percent of respondents cite the sign code as a significant disadvantage to doing business in Issaquah. For those businesses who may close or relocate, 16 percent say marketing assistance would prevent closure. Twenty-two percent of employers stated their employees needed training in internet marketing and social media tools.

Businesses are ready to expand but many lack the space. Forty-seven percent are planning to expand in the next few years and 36 percent have seen an overall increase in profits since the recession. Unfortunately, of those dissatisfied with their sites, 42% stated that their current site is limiting the growth of their business. Of the businesses planning to expand, 14 percent say lack of space is hindering their growth.

Issaquah's job creators need more talent. Over one third of Issaquah employees have a difficult time recruiting for some positions. Swedish Hospital and Timber Ridge, for example, both cited the need for nurses. The lack of nurses will be a significant challenge to Swedish Hospital's ability to grow in Issaquah by 500 employees as planned. In addition, Issaquah retailers and service industries referenced a lack of applicants with good customer service and communication skills.

Issaquah employers rank housing affordability as the number one issue to recruit and retain employees. Earning 62 percent of responses, affordable or workforce housing was named important to recruiting employees. Housing affordability is typically defined as 25 to 33 percent of a total household budget. According to this formula, an Issaquah employee making \$60,000 (at the top of the wage scale for most Issaquah employees) can typically afford housing costs of \$1,250 - \$1,666 per month, while median rent is \$1,750.

Accessibility is a key business asset. Twenty-three percent of businesses stated Issaquah's proximity to I-90 and to other eastside markets is the main reason why they have located and remained here. Businesses also cited Issaquah's proximity to affluent populations and stated that access to their customers was the number one reason why they located in Issaquah.

Next Steps

The findings of this report will be communicated back to the business community including the Chamber of Commerce and the Downtown Issaquah Association, and will also be communicated with other city departments and the City Council. The Economic Vitality Commission has already received a preliminary report of the findings and some of these findings will help guide their work plan over the next year. The City's Economic Development Department is also prepared to use this information to shape the department's business retention and expansion program. Follow up with individual businesses to address their particular concerns is ongoing. The 2012 fall survey effort was an extensive first attempt at connecting with business owners and learning about their concerns, but this was really only a beginning to the department's outreach efforts. Economic Development staff will continue with business visitations throughout the year in order to remain responsive to the business community and to encourage a thriving, robust business community in Issaquah.

Introduction and Methodology

In fall of 2012, the City mailed surveys to all businesses registered with Issaquah addresses, totaling 2,300 businesses. The survey questions were compiled by a subcommittee of the Economic Vitality Commission (the EVC is a volunteer group composed of Issaquah business leaders and residents): Kristi Tripple, Matt Bott, John Traeger, Richard Gable, and Alan Finkelstein. The survey questions were compiled using questionnaires from previous Chamber of Commerce survey efforts, surveys used from other cities, and original questions developed by the Economic Development Department and other city departments. Businesses could either respond to the survey via the web link provided in the survey or by sending back the completed form in the provided postage-paid envelope.

The Economic Development Department worked with the Issaquah Press, the Greater Issaquah Chamber of Commerce, and the Downtown Issaquah Association (DIA) to help get the word out about the survey. The Chamber and DIA sent out the survey link to their membership. In addition, reminder postcards were mailed to all 2,300 businesses one week prior to the survey due date.

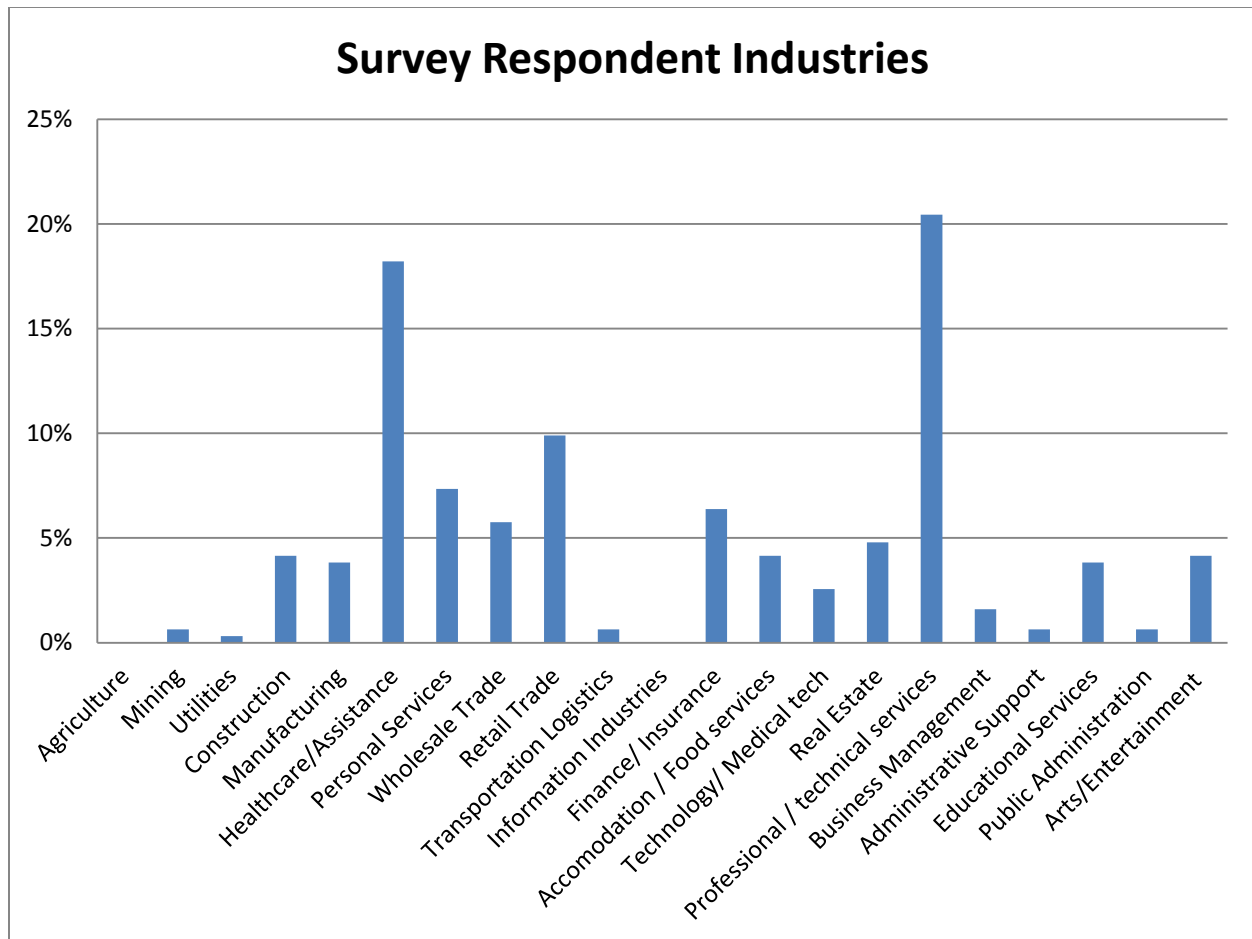
In addition to the mailed surveys, the EVC subcommittee also selected 70 businesses for one-on-one, in depth interviews. These businesses were selected to ensure the sample represented:

- A variety of geographical locations throughout the City
- A variety of industries, making sure all major regional industries are represented and also Issaquah's major industries have heavy representation
- A variety of business tenure
- Businesses that have had recent dealings with the City; and
- A variety of sizes of businesses as measured by number of employees.

Response

Overall, roughly 12 percent of the businesses responded to the survey, with a total of 271 responses. Out of the 70 businesses called for an interview, 30 accepted the invitation. The vast majority of responses were received by mail with only seven businesses choosing to complete the survey online. This report will focus on the data gained from the surveys while using insights gathered from the interviews to help interpret the results.

As observed in the graph on the following page, more responses were received from certain industry types, with the most responses from firms involved in professional, scientific and technical services. Other top industries represented in this survey data are: Healthcare and social assistance, retail, and personal services (dry cleaning, salons, etc). This is similar to US Economic Census data for Issaquah. Food service and restaurants which Issaquah has in abundance, however, are notably underrepresented in this survey data and comprise only about four percent of the responses.



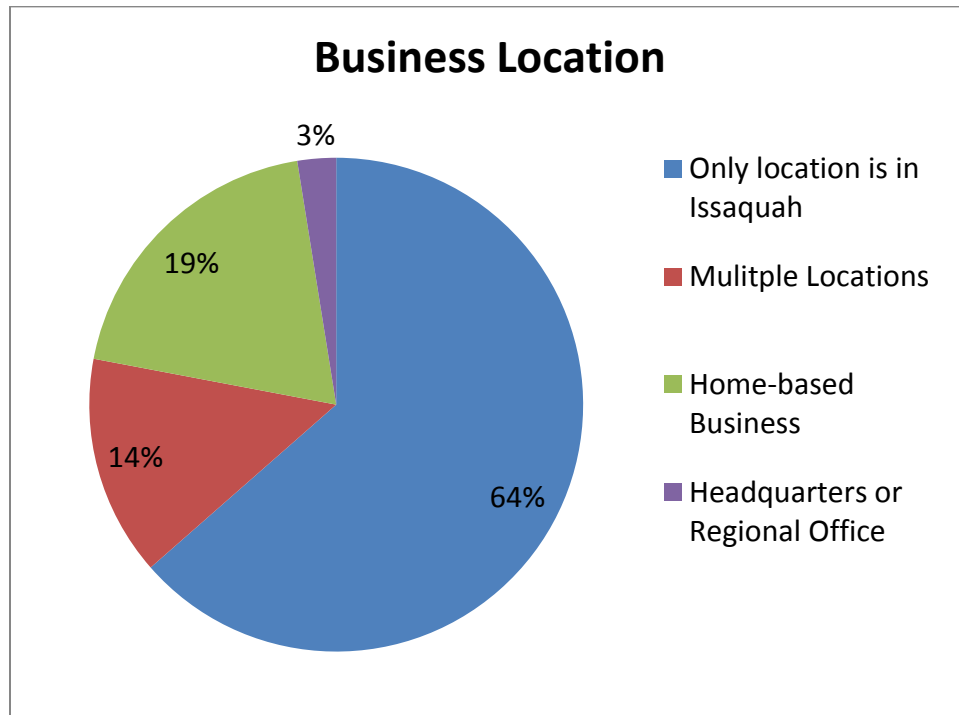
The top five industries in Issaquah represented in the survey results include:

1. Scientific, Professional, Technical Services (21 percent)
2. Healthcare and Social Assistance (18 percent)
3. Retail Trade (10 percent)
4. Personal Services—including salon services, dry cleaning, etc. (7 percent)
5. Finance and Insurance (6 percent)

Location

For many Issaquah businesses location really does matter. Ten percent of businesses looking to relocate or close their business stated that finding a new location would keep their business in Issaquah. This section explores how satisfied businesses are with their location and what factors are causing dissatisfaction. First, businesses were asked what locating in Issaquah meant to the business—is Issaquah their only location or one of many? In addition, one goal of this survey was to gather more information about Issaquah’s home-based businesses and what their needs may be. Nineteen percent of

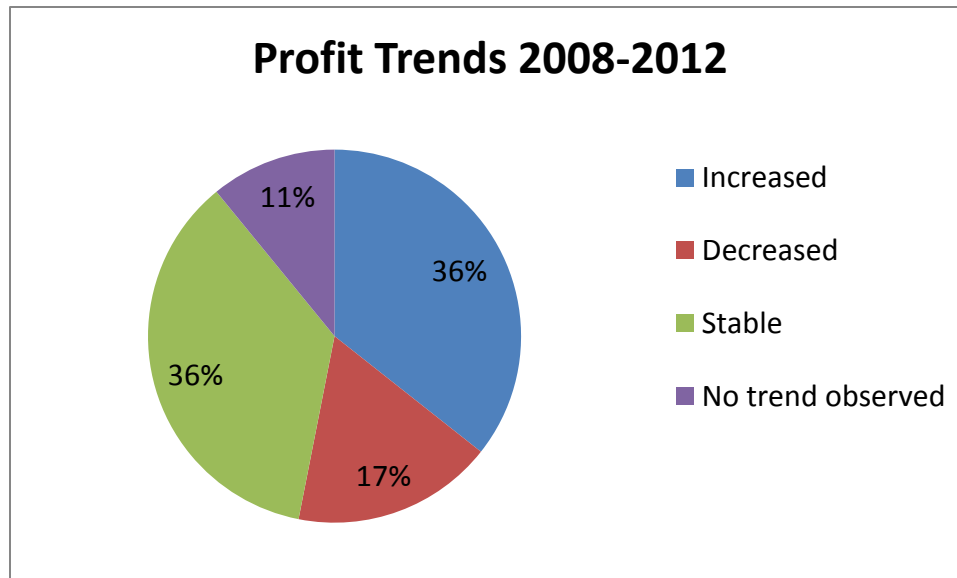
the responses were from home-based business. This means that 83% of the businesses responses are exclusively located in Issaquah, with only 14 percent belonging to a chain or having other locations elsewhere.



While nearly 80 percent of business management stated they were satisfied or very satisfied with their current location, one out of five businesses stated they are dissatisfied with their current location in Issaquah. Of these, the most common complaints were:

- Site is too small and hindering business growth (42 percent)
- Traffic/ transportation issues for staff and customers (42 percent)
- Parking availability (31 percent)
- Poor visibility of site (26 percent)

Recovering from the Recession



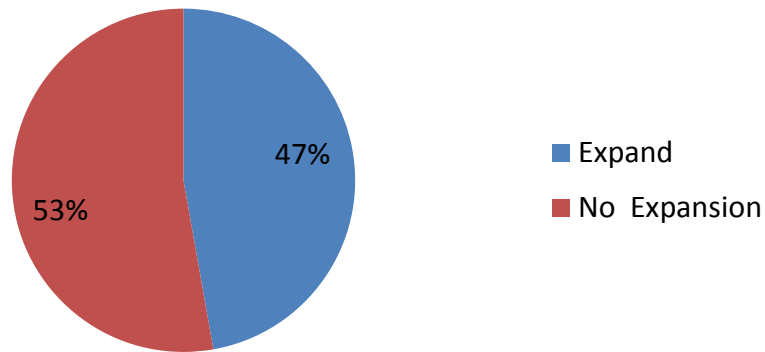
Most businesses interviewed acknowledged that while 2009 was a very rough year, there has been slow but steady recovery since then. Many businesses are close to or matching their 2008 revenues, and some have surpassed them. The graph above shows how surveyed businesses are faring today, compared to pre-recession levels. Thirty-six percent of businesses are stable, with another thirty-six percent showing increased profits. Many businesses stated they are grateful for being stable, and feel they are out of the worst parts of the recession.

"Flat is the new up, so as long as we are flat we are happy with that."

--Anonymous Business Manager

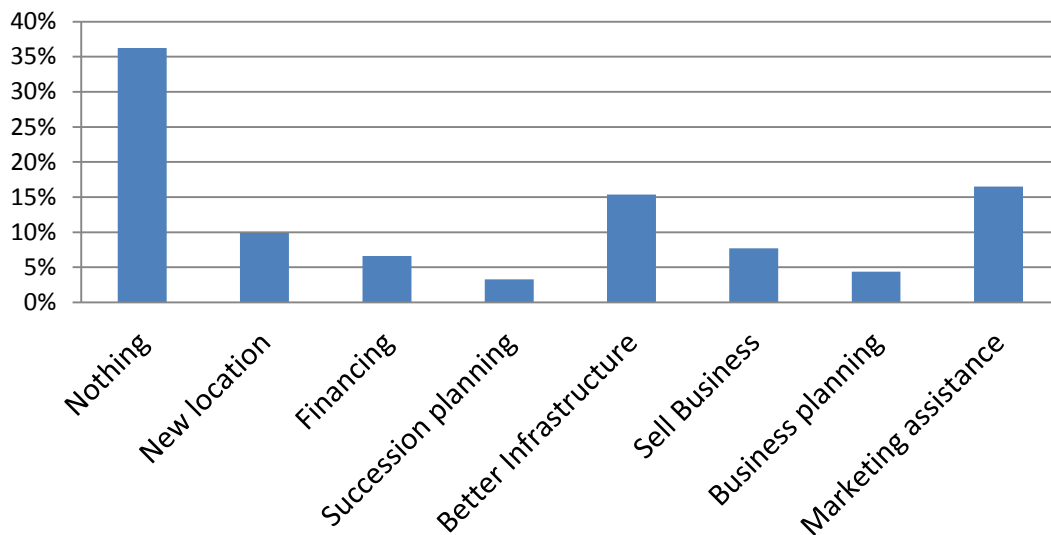
While only 36 percent of Issaquah firms are seeing an increase in profits from 2008, 47 percent of businesses surveyed and 68 percent of those interviewed indicated that they are planning on expanding their businesses. Of those planning expansion, their primary challenges were traffic (23 percent), finding the right space to allow their expansion (14 percent), and signage (11 percent). More discussion of Issaquah's challenges to business will occur later in this report.

Many Firms are Ready to Expand



Conversely, 10 percent of the respondents are planning to close or relocate outside of Issaquah over the next five years. For 36 percent of these businesses, business management stated there was nothing the City could do to prevent them from relocating or closing their business. But for the majority, marketing assistance and better infrastructure were the two most commonly cited needs. In particular, businesses request the City improve transportation infrastructure and cite long travel times within the City limits. Others mentioned the unreliable power grid that can experience long outages. Assistance in finding a new location within Issaquah was requested by only 10 percent of those surveyed who are planning to relocate or close their business. Others surveyed also commented they needed access to financing, less expensive rents, and for the City to improve its B&O tax filing procedures.

Opportunities to Retain Businesses



Employees

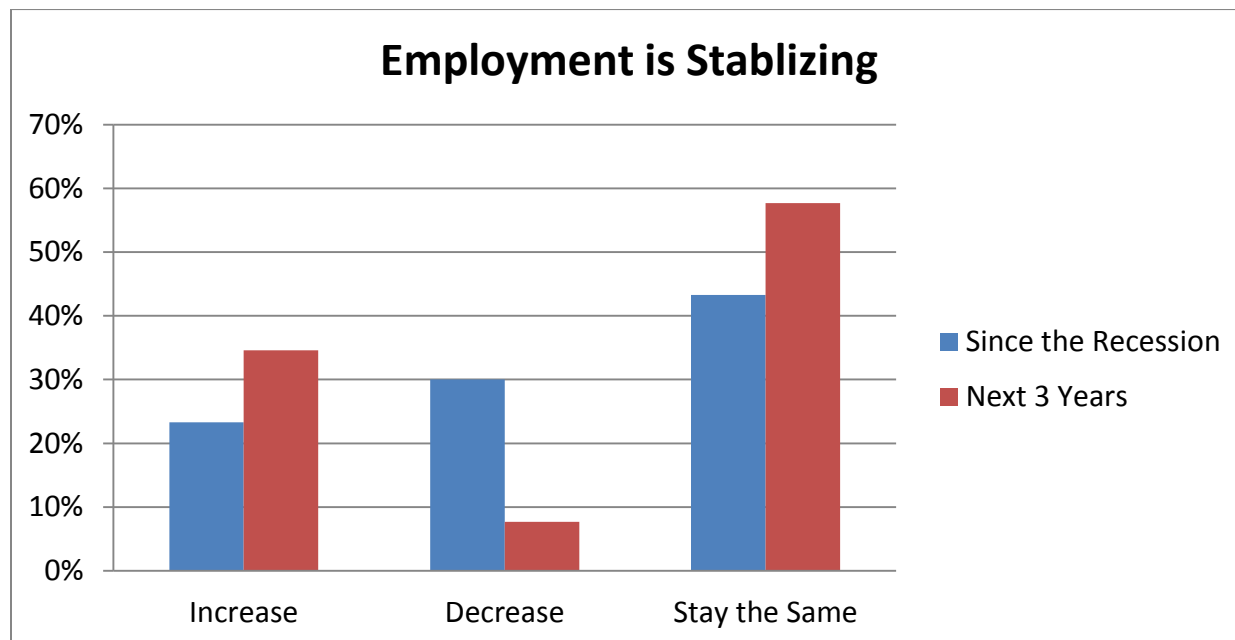
This section contains detailed information regarding employment, including in-demand skills and training needs, salary information, and the types of assistance requested for employee recruitment and retention. Because businesses rely on a talented workforce for success and often locate proximate to their workforce, the City gathered some detailed information to better understand what the City may be able to do to support Issaquah's employers and employees.

The businesses interviewed represented a range in number of employees including the self-employed to 600 employees. Together the businesses surveyed and interviewed represent 3,929 employees. Because the interviews were more in depth than the surveys, more data on employees was collected from businesses interviewed than those who filled out the survey.

One indicator of Issaquah's economy is the growth, decline, or stagnation in employees. In the past three years, 66 percent of the business survey respondents were able to maintain their number of employees or increase them (see graph on following page). The firms interviewed fared even better than the typical survey respondent. Sixty-seven percent of those interviewed indicated that there had been no change in the number of employees from last year, while 20 percent had actually created new positions.

Swedish Hospital is planning to create 500 new jobs in Issaquah over the next five years.

When asked about employment numbers over the next three years, over 90 percent of businesses surveyed are planning to maintain the number of employees or create more positions. While most respondents indicated they intend on maintaining their number of employees, 34 percent are planning an increase.



Issaquah's Workforce

More detailed questions were asked of the employers that were interviewed. These employers represented businesses from a broad range of industries and sizes, altogether representing 1,495 employees. One surprising discovery from the interviews was the difficulty with which some of our businesses recruit for open positions. Employers rated overall availability of qualified employees as two out of three, and 35 percent of those interviewed stated they had difficulty hiring the skills they needed. These skills include:

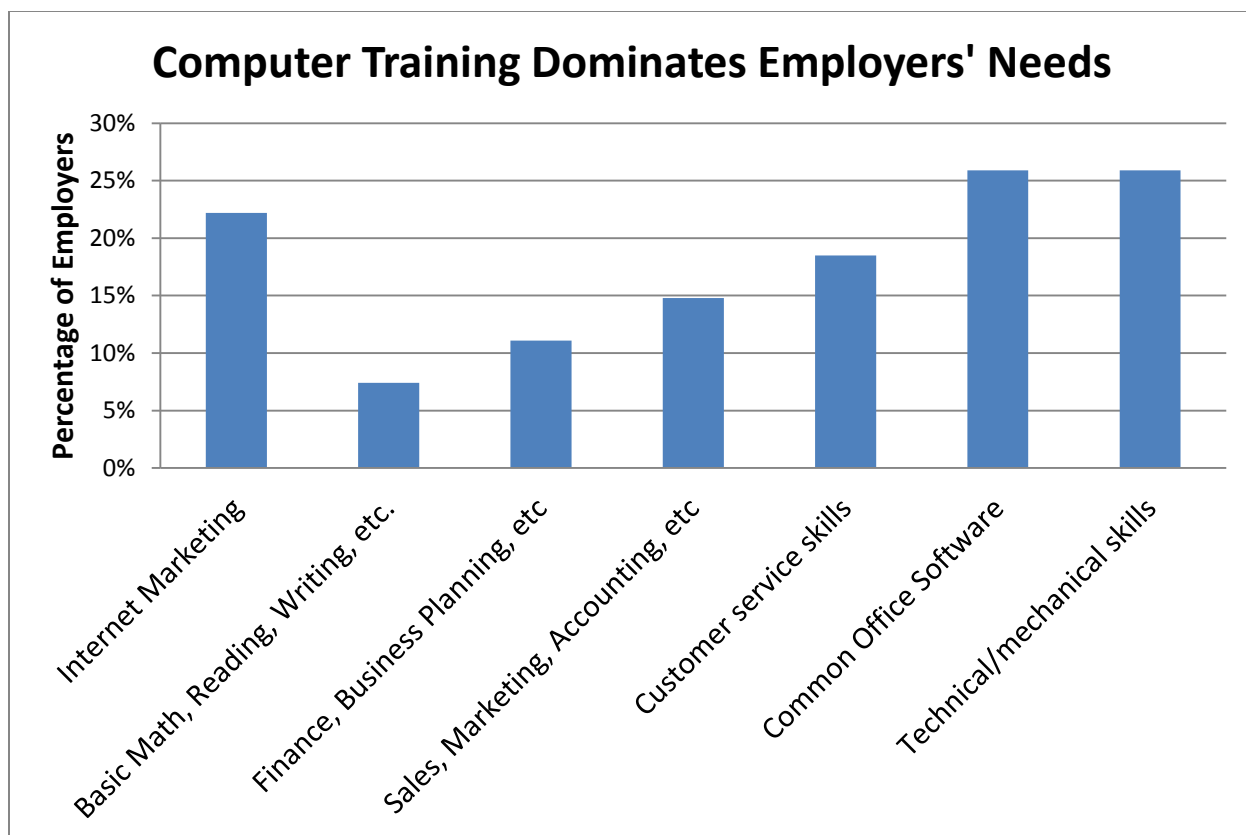
- Certified technical skills (41 percent) – Positions that require some formal technical training and certification such as automotive service technicians, nursing technicians, commercial contractors, etc.
- Customer service (29 percent)—Businesses site a lack of outgoing, professional persons with good communication skills.
- Bilingual (11 percent) — Some businesses stated they were unable to find many qualified applicants who speak English, while others stated they needed employees who spoke both English and Spanish. The need for Russian and Chinese speakers was also mentioned.

Employee Training Needs

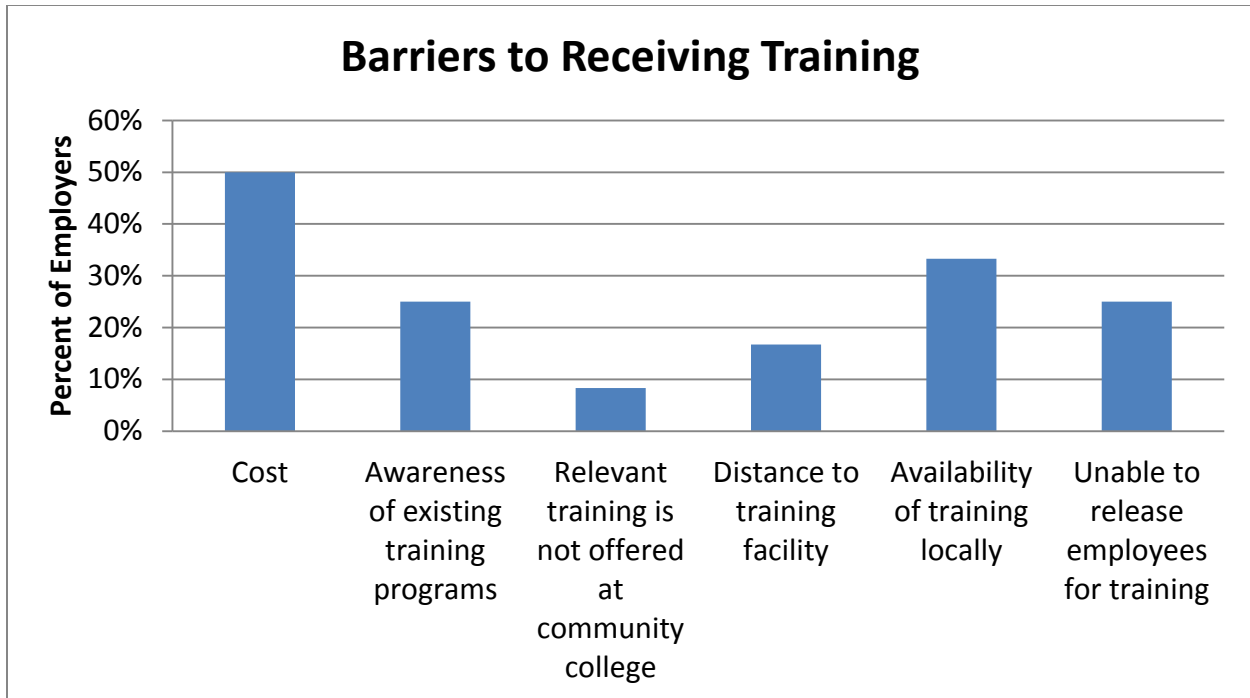
Bellevue College plans to build another campus adjacent to the Issaquah Highlands and the City is currently discussing with Bellevue College what types of classes and curriculum would be successful in an Issaquah campus. Eighty percent of firms interviewed stated their employees needed additional training. Forty-one percent requested training that involves increasing computer proficiency-- both with common business software applications including Excel and QuickBooks, and also in internet marketing and social media. Employers also cited needs for an array of technical and mechanical skills such as nursing and service technicians. These skills were also discussed above as skills employers had difficulty recruiting. More than one business mentioned the lack of craftsmen level woodworking skills and the lack of training opportunities to be on a crisis level, even for some national industries.

Eighteen percent of employers stated their desire for more training on customer service and communication skills, citing a need for more training to be available that helps employees present information better.

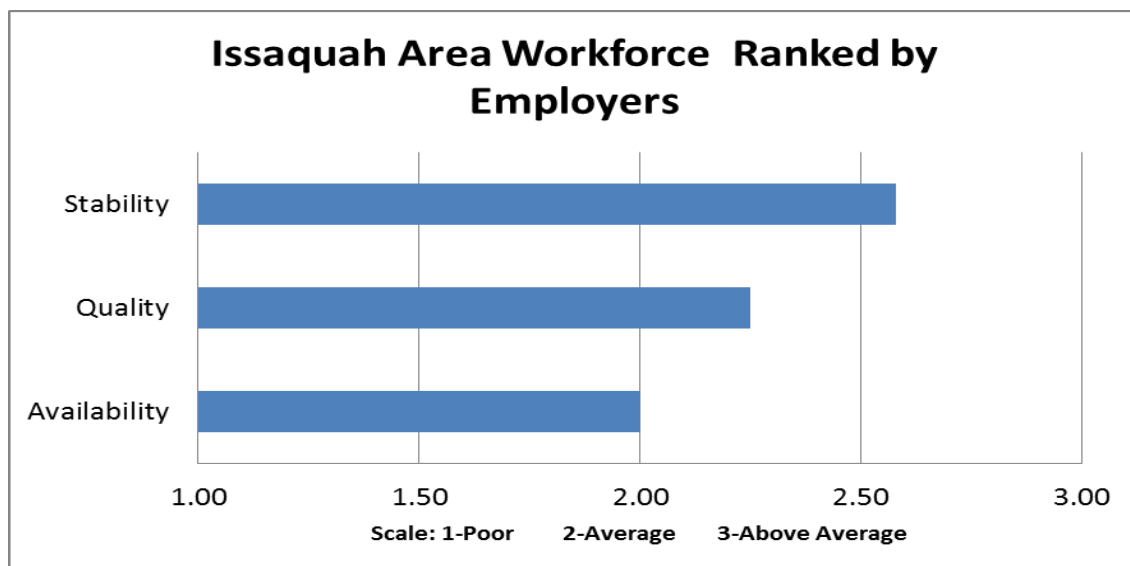
During the interviews, businesses expressed the desire for Bellevue College to complement Issaquah's culture and look forward to partnerships and added amenities. Timber Ridge, for example, stated that senior residents actively seek more learning opportunities and would attend more seminars and talks if available. (Issaquah is home to 6,755 people aged 55 and over.)The Fish Hatchery stated that their volunteers routinely inquire about salmon- related biology classes and lament that nothing is offered locally.



Businesses were then asked what perceived or real barriers exist to receive such training (see chart on the following page). Half of the firms interviewed felt that training was too expensive to offer or for their employees to be willing to take on that expense independently. Other employees claimed that available training was too far for their employees and some expressed enthusiasm for a Bellevue College campus to open near the Highlands which would make training more accessible. While some firms stated that they would be flexible with employee hours in order to accommodate class schedules, one quarter of the firms interviewed said they are not able to release employees for additional training. An equal number of firms stated while they acknowledge that additional training would be helpful, they did not know what type of training or classes were already available nearby.



While some businesses have trouble recruiting employees, the majority of businesses stated they have no problem keeping employees, as indicated in the chart below with employee stability ranked highly. Employers seemed to have some concerns with the quality of applicants (particularly in customer service positions), providing a combined ranking of 2.25, or slightly above average.

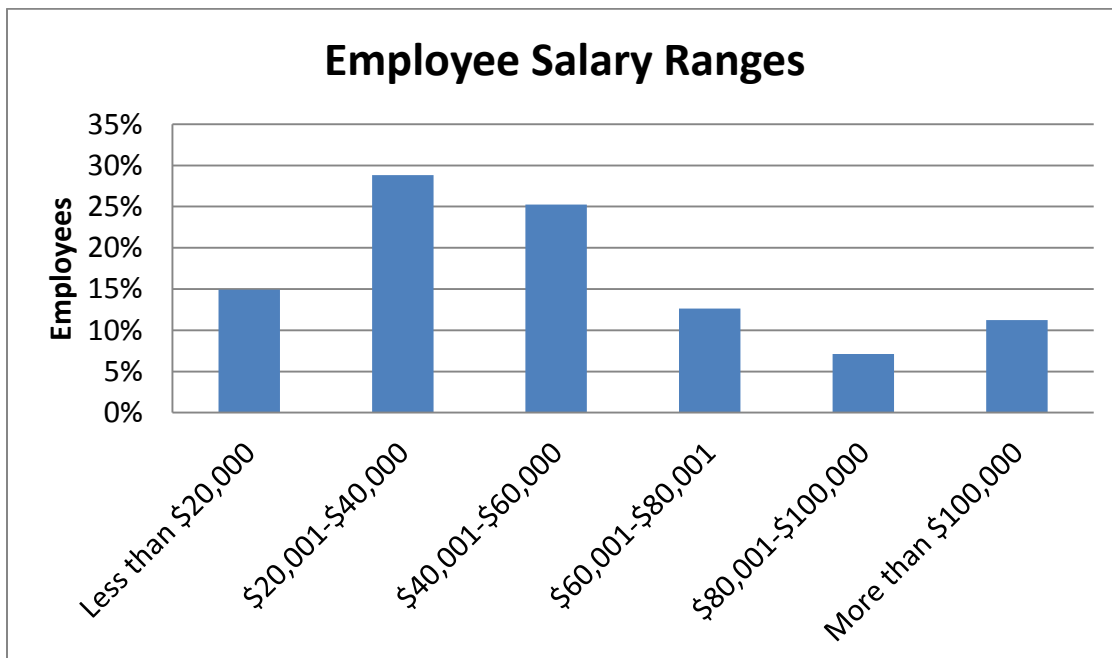


Employee Wages

As part of these data gathering efforts, the City wanted to understand employee wages better as compared to the cost of living in Issaquah. The ability of employees to live close to work may have an impact on the ability of Issaquah businesses to recruit and retain their employees. Indeed, among the challenges cited by employers are transportation and the perceived distance from other population centers. According to 2010 US Census data, 21 percent of residents are employed in the services and retail industries, while 78 percent of Issaquah employees work in services or retail. This indicates that the majority of Issaquah employees reside in other cities. While not specifically a part of the data collected, from discussions with employers, Issaquah's retail and healthcare workforce overwhelmingly comes from Renton, Maple Valley, North Bend, Snoqualmie, and Carnation.

The US Census indicates that 78% of Issaquah employees work in the services or retail industries. Interview data suggests that such a typical employee in a single income household—even at the top of the pay scale-- cannot afford the median rent in Issaquah.

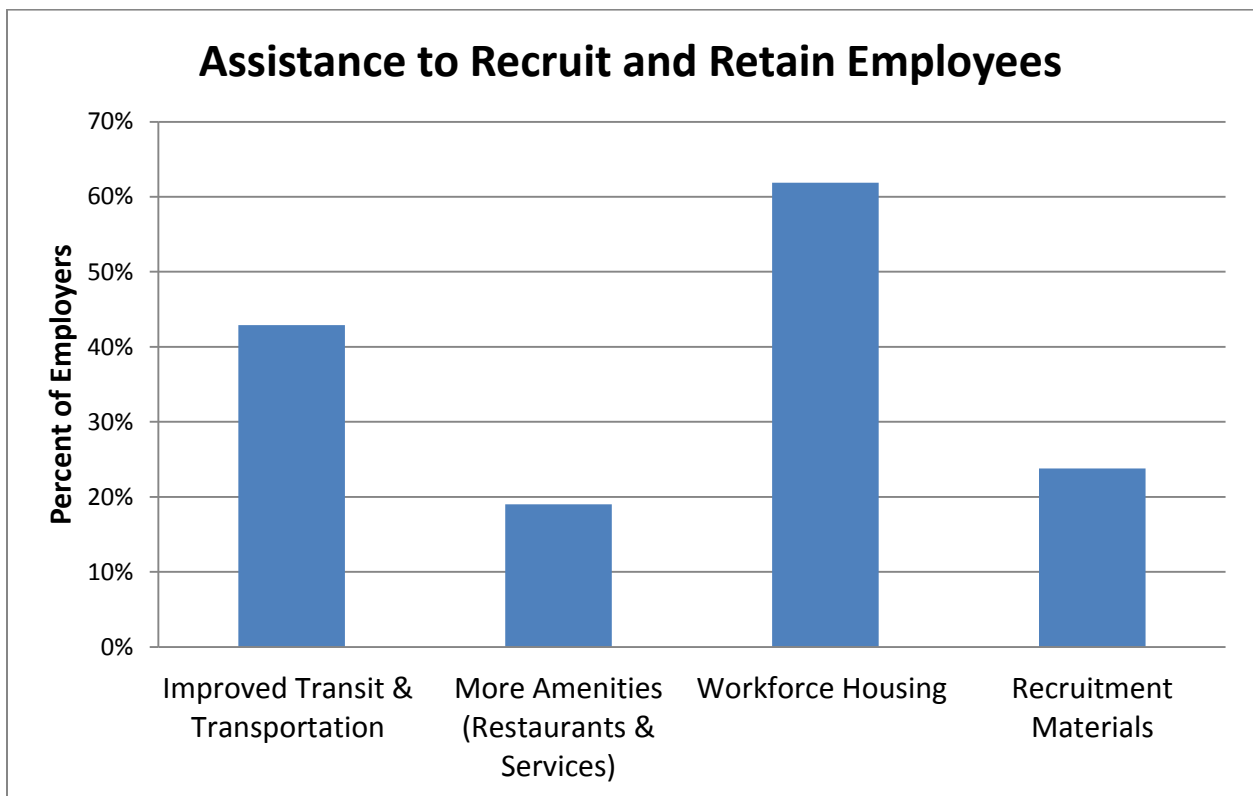
Issaquah is blessed with a high quality of life and an affluent population as compared to the rest of King County. Issaquah's median household income is \$83,946, much higher than the county median household income of \$65,383. The average single family home in Issaquah costs \$451,500, while the median rent is \$1,750. As you can see from the chart below, the majority (69 percent) of Issaquah employees' reported salaries are \$60,000 or below. It should be noted that 36 percent of the positions reported by Issaquah employers are part time or seasonal. Housing affordability is typically defined as 25 to 33 percent of a total household budget. According to this formula, an Issaquah employee making \$60,000 (at the top of the wage scale for most Issaquah employees) can typically afford housing costs of \$1,250 - \$1,666 per month, which is less than median rent. Reported salaries can be observed in the chart below.



Recruiting and Retaining Employees

While most businesses reported low turnover rates, when asked what would help recruit and retain employees, 62 percent of businesses stated more affordable or workforce housing would be helpful (see graph below). Some firms linked employee attrition and recruitment difficulties to employees having long commutes. Forty-three percent of employers said they would like to see improvements to transportation infrastructure, with a few mentioning transit specifically. Swedish Hospital stated transportation for employees to be one of their biggest barriers. Currently, there is no bus service to the Highlands for their early shift workers. Swedish employees have even resorted to sleeping on campus in order arrive to work on time in the morning. Timber Ridge is also in an expansion phase but currently has no transit service, and cites this as a significant barrier for their growing numbers of both residents and employees.

In addition to commuter buses, some businesses suggested a shuttle around Issaquah, not aware that the City already provides a free shuttle around town. This leads to another popular request—24 percent of businesses said it would be helpful if the City had materials describing all of Issaquah’s amenities to help with employee recruitment. Firms stated that many people are not aware of the amenities available that make Issaquah a great place to work.



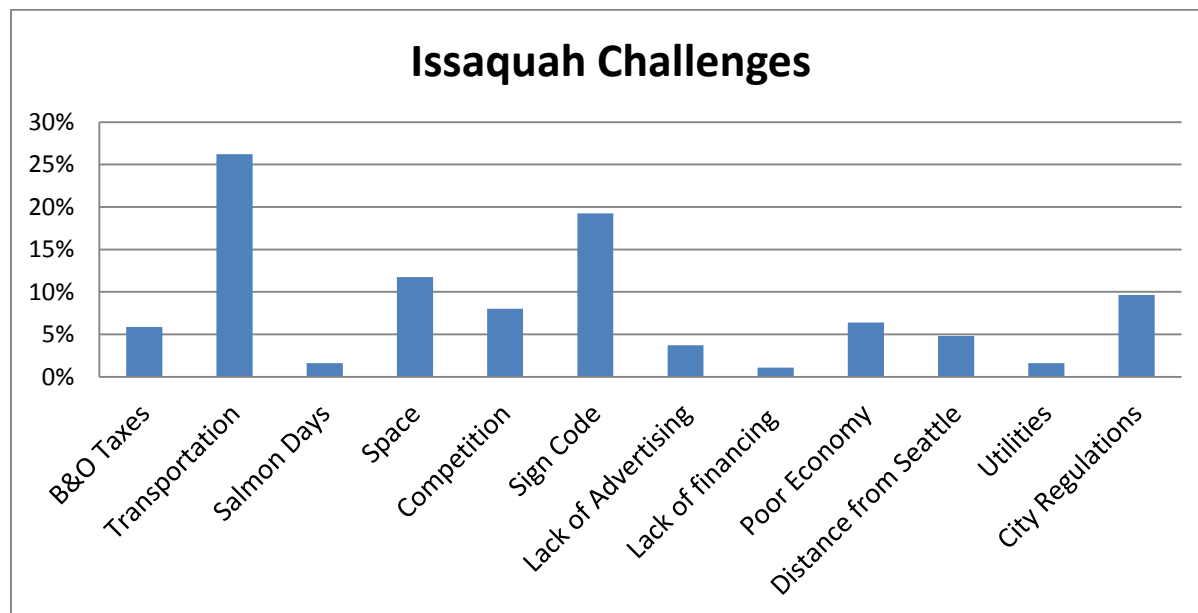
Challenges to Doing Business in Issaquah

The interviews allowed for an open discussion of the everyday challenges businesses face. While there is some overlap with the issues raised above, the challenges presented in this section were cited by all business respondents— both those who plan to stay and those who plan to close. These challenges (see chart on the next page) make it harder to operate and expand in Issaquah.

Transportation infrastructure was mentioned again and was the most frequently cited barrier to businesses in Issaquah (26 percent). Overwhelmingly, most of these comments were in regard to traffic congestion within Issaquah, followed by expressed need for more transit options for employees. A few respondents also mentioned finding adequate parking downtown was an issue.

“Codes are not fair or make any sense. Signage is silly and inconsistent.”
--Anonymous Business Owner

The sign code was the second most cited problem—to the extent that this particular issue was singled out as separate from another category of challenges labeled “City Regulations”. City Regulations include the permit process, building and planning codes, and other City policies such as the plastic bag ban and the Fats, Oils, and Grease Ordinance. All of those types of regulations together still only received 10 percent of the comments, whereas the sign code was mentioned specifically by twice as many respondents. The sign code, especially as it pertains to banners, seemed problematic for businesses.



Another common issue cited was the lack of space in Issaquah for more industrial or intensive commercial spaces. Some respondents said they felt they had been forced out of Issaquah due to the lack of space and the City failing to provide adequate zoning for such spaces. A few respondents cited

the rents in Issaquah to be too high and that lack of affordable space was the number one threat to their business.

City regulations referred mostly to planning and zoning and the permitting process. These were also ranked by businesses interviewed (see chart page 18) and while rated above average, the most common issues cited were high permit and impact fees and a long permitting process. It should be noted that the City performed an overhaul of the permitting process last year and that the majority of the respondents had not yet been able to experience the revised permitting process. There were several businesses who noted that they had heard the City had improved permitting and was gaining a better reputation in that

“People are hearing rumors about how easy the city is to work with. Before, reputation was bad as being too restrictive.”

--Anonymous Business/Property Owner

area. A few businesses interviewed mentioned environmental regulations put in place seemed unpredictable and without consideration to added costs to businesses. They named the plastic bag ordinance, the composting ordinance, and the take out container ordinance in particular. One business manager said he thought the environmental issues Issaquah has taken on were admirable, but that it would be better if there was a sustainability plan that was communicated to businesses so that they could plan for changes and future expenses. Another business owner questioned the effectiveness of some of the environmental policies such as the requirement for food establishments to have recycling and composting available to their customers. Eighty-seven percent of business owners stated they were satisfied or completely satisfied with city staff responsiveness and even pleasant. As one business owner stated, “I may not always get the answer I want, but I always get an answer right away.”

“Issaquah is the only City of 6 where I hold business licenses that requires a listing of customers outside the City to explain B&O amounts.”

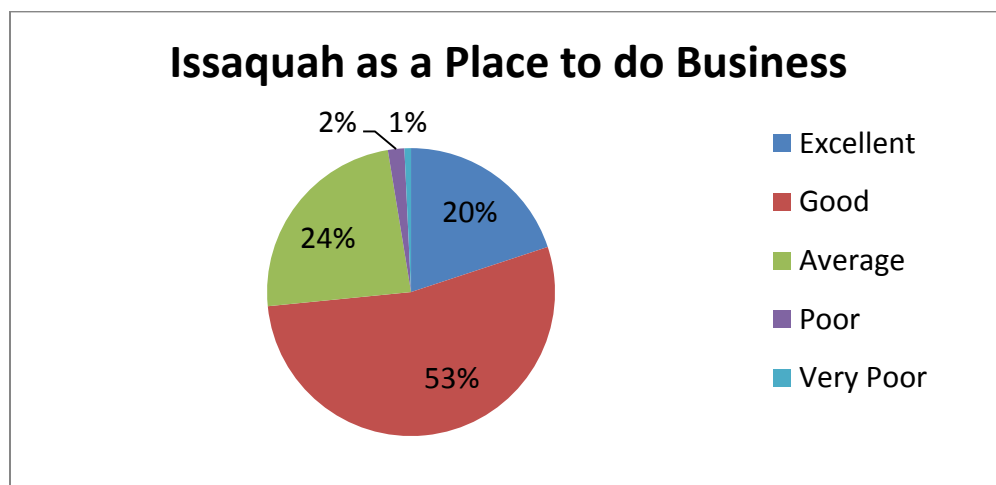
--Anonymous Business Owner

How businesses are required to file for Business and Occupation taxes seems to be a burden for at least six percent of businesses. Surprisingly, the cost of B&O taxes did not seem to be an issue, as can be observed in the graph on page 18, where taxes were ranked as above average. Instead, firm management stated the City made the process onerous mostly by requiring quarterly filings and not allowing online payments. Many complaints came from firms who were not subject to pay the tax but were still required to file on a quarterly basis. The City’s Finance Department is making changes to their filing procedure and requirements that should eliminate these concerns in the next few years. To the extent possible, the Economic Development staff followed up with the businesses that cited difficulty with the B&O filing procedures to provide updates on the City’s plan for improvements.

Advantages to Doing Business in Issaquah

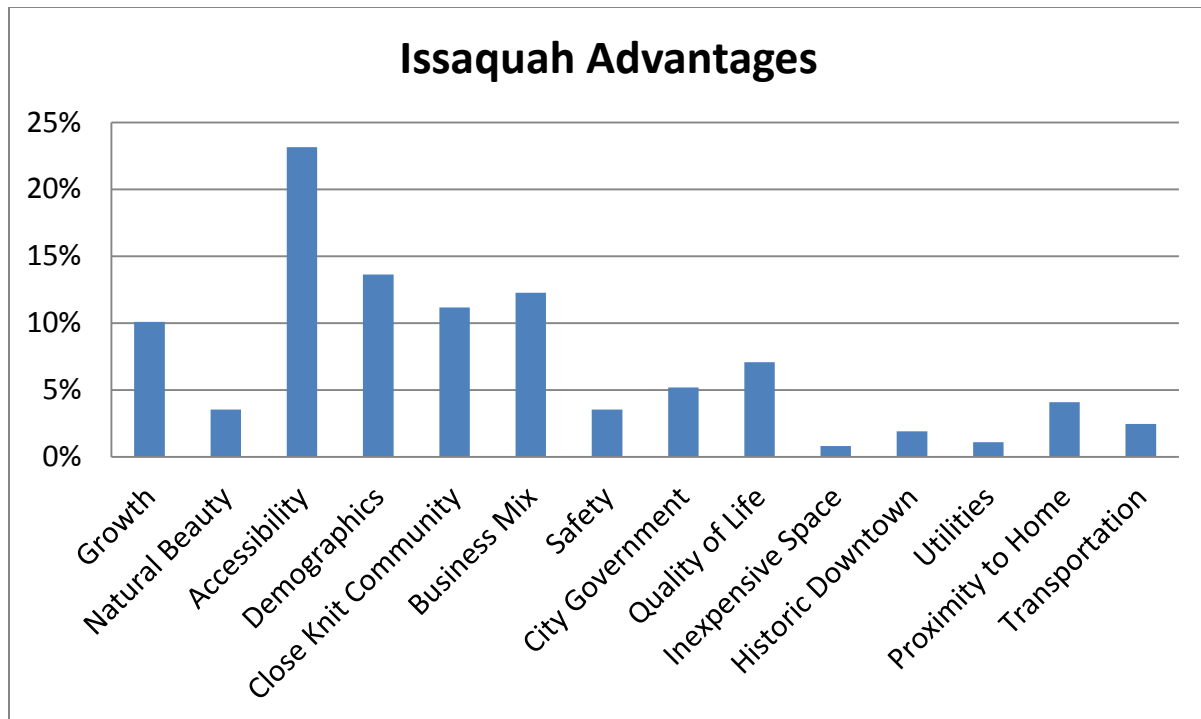
“B&O taxes are reasonable and half of what we paid in Highline.”
--Anonymous Business Manager

Just as it is important to understand the challenges our existing businesses face, identifying the City’s strengths as a place to do business is also important. Perhaps the City can capitalize on these strengths to attract new businesses or create new opportunities. Despite the challenges discussed above, overall 73 percent of businesses surveyed said that Issaquah was a “Good” or “Excellent” place to do business. Only three percent of businesses surveyed said that all the barriers to do business made Issaquah a “Poor” or “Very Poor” place to do business.



Businesses further identified Issaquah’s top advantages as a place to do business (see chart on the following page). The top five most common strengths reported by businesses include its:

1. Accessibility to I-90 and the rest of the east side (23 percent)
2. Affluent, educated demographics, families (14 percent)
3. Mix of businesses and services accessible (12 percent)
4. Close knit community —with strong support of local businesses, education, and nonprofits (11 percent); and
5. Growth towards more households and businesses (10 percent).

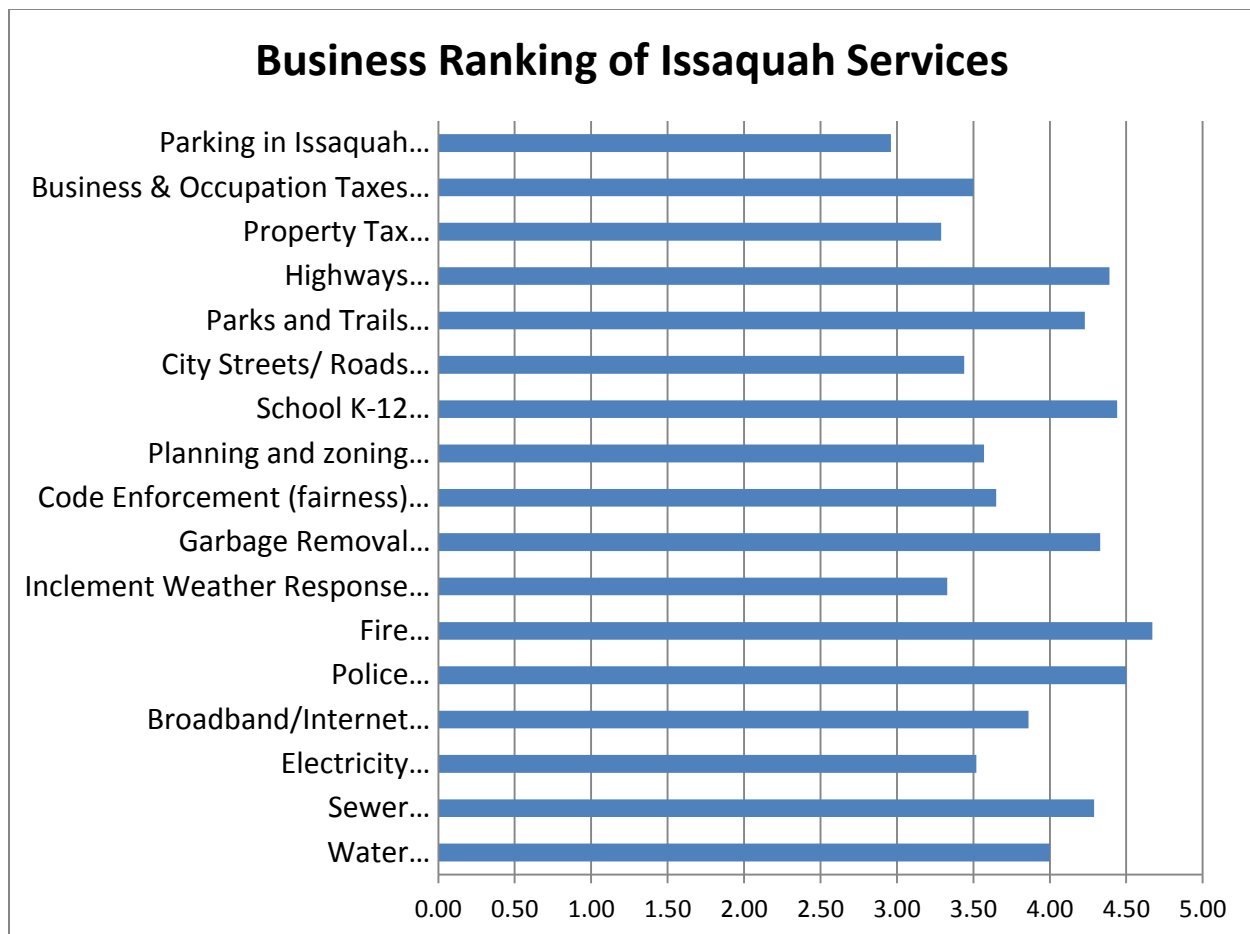


Firms who were interviewed were also asked to rank their satisfaction with many of Issaquah's services and amenities. Those that received a ranking of one were considered very poor, three indicated average, and five was considered excellent.

"Overall, I am impressed with City services. Recent transitions have improved service and responsiveness."

--Anonymous Business Owner

In general, City services were ranked favorably with above average ratings. The only item listed as below average was parking (used in reference to downtown Issaquah, but observed by businesses of all areas of the City). Police and Fire were considered the most impressive services, followed by Issaquah schools, Issaquah highways, and garbage removal.



Conclusion

Overall, the survey findings were positive. Seventy-three percent of businesses ranked Issaquah as an excellent or good place overall to do business, and the approval of many core city services remains above average. There are, however, some issues the business community highlighted that should be addressed.

Throughout this process, businesses cited concerns over traffic and transportation infrastructure both as a threat to their daily operations and to their ability to recruit and retain talent. Many firms also said they would like help with visibility—either through marketing assistance and/or with changes to the sign code. Businesses would like assistance finding a new location in the City. Over a third of Issaquah’s employers are having difficulty recruiting the talent they need, especially for nursing and customer service positions. Concerns from the businesses also indicated the need for better communication from the City about changes to city policies that are currently underway such as improvements to the permitting process, the B&O tax filings, and environmental policies.

The results of these findings will be communicated within city government and with the greater business community. Efforts are already underway to follow up on these issues and work collaboratively to make doing business in Issaquah easier.